

December 30, 2020

State Street Global Advisors
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USA

ssga.com

**Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090**

Submitted via email: rule-comments@sec.gov

Re: The Nasdaq Stock Market LLC; Notice of Filing of Proposed Rule Change to Adopt Listing Rules Related to Board Diversity [File Number SR-NASDAQ–2020–081]

Dear Sir/Madam:

State Street Global Advisors, the investment management arm of State Street Corporation, welcomes the opportunity to comment on the proposed exchange rule change filed with the Securities and Exchange Commission (“the Commission”) by The Nasdaq Stock Market LLC (“Nasdaq”) related to board diversity for Nasdaq-listed companies.¹ Specifically, Nasdaq proposes to require Nasdaq-listed companies to either have at least two self-identified diverse board members, or explain why not.² We support Nasdaq’s proposed rule change.

With \$3.15 trillion³ in assets under management, State Street Global Advisors is the world’s third-largest asset manager⁴. As a fiduciary, State Street Global Advisors has a duty to act in the best interest of our clients, an obligation that extends to the proxy voting activity we undertake on our clients’ behalf. As a long-term investor in more than 10,000 public companies across the world, State Street Global Advisors believes that voting on proxy issues is an important tool in driving long-term shareholder value for our clients. Our dedicated team of corporate governance professionals is focused on ensuring that this responsibility is implemented in a thoughtful, efficient manner. To that end, we have long viewed strong, independent and effective corporate board oversight as the single most important driver of long-term value in public companies, which we view as closely correlated to board diversity. Board diversity is a key focus, therefore, of our ongoing engagement with companies held in our clients’ portfolios.

¹ <https://www.govinfo.gov/content/pkg/FR-2020-12-11/pdf/2020-27091.pdf>

² Specifically, subject to certain conditions, the proposal requires at least one board member who self-identifies as female, and at least one board member who self-identifies as either an underrepresented minority or LGBTQ+.

³ This figure is presented as of September 30, 2020 and includes approximately \$80.51 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

⁴ As of September, 30, 2020.

We agree with Nasdaq's view, as described in the proposed rule change, that while there has been progress towards greater corporate board diversity in recent years, more needs to be done. As investors, we believe improving the availability of useful information and data is a critical element in advancing board diversity, and, as a result, will help improve corporate governance and long-term risk management and financial performance.

Board diversity has been an important part of our engagement with portfolio companies for many years, and we continue to increase our focus on racial and ethnic diversity at companies in our investment portfolio. For example, our attached letter to companies in our investment portfolios earlier this year describes our expectations for portfolio companies related to diversity, including our request that companies provide specific communications to shareholders regarding corporate diversity characteristics, including the racial and ethnic makeup of the board of directors.

Consistent and useful disclosures around board diversity at publicly-traded companies is critical to effective corporate governance and long-term risk management and value generation. We urge the Commission to approve Nasdaq's proposed rule change.

Sincerely,



Benjamin Colton
Global Co-head of Asset Stewardship



Robert Walker
Global Co-head of Asset Stewardship

27 August 2020

Richard F. Lacaille
Global Chief Investment
Officer

State Street Global Advisors
1 Iron Street
Boston, MA 02210
USA

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Dear Board Chair,

As a long-term investor in more than 10,000 public companies across the world, State Street Global Advisors believes that the single most important driver of long-term value is a strong, independent and effective board exercising high-quality oversight. In turn, we have long appreciated the positive correlation among diversity at the workforce and board levels, effective boards and oversight and sustainable long-term financial performance. As such, whether through our long-standing stewardship focus on gender diversity and board effectiveness, amplified by our Fearless Girl campaign, or the integration of Sustainability Accounting Standards Board (SASB – see Figure 1) diversity metrics into our Environmental, Social and Governance (ESG) scoring system, R-Factor™¹, we have called on companies to disclose more details regarding the diversity of their boards and workforces.

The ongoing issue of racial equity has caused us to focus more closely on the ways in which racial and ethnic diversity impacts us as investors. As such, we are writing to inform you that starting in 2021, State Street Global Advisors will ask companies in our investment portfolio to articulate their risks, goals and strategy as related to racial and ethnic diversity, and to make relevant disclosure available to shareholders.

As long-term investors, we are convinced that the lack of racial and ethnic diversity and inclusion poses risks to companies that senior managements and boards should understand and manage. The risks that can arise from having a homogeneous board and workforce are well understood and drove our focus on gender diversity years ago. Research demonstrates the tendency for groups composed of people from similar backgrounds to refrain from challenging prevailing views, as well as the positive impacts that diverse groups can have on improved decision making, risk oversight and innovation.² Other studies have shown that management teams with a critical mass of racial, ethnic and gender diversity are more likely to generate above-average profitability.³ Further, companies that promote workforce diversity and inclusion through transparent hiring, promotion and wage practices have seen improved productivity,⁴ revenues⁵ and market share.⁶ Likewise, companies with limited diversity are more likely to underperform their peers⁷ and face reputational risks.⁸ Unfortunately, while companies in the United States are required by regulators to track racial diversity data, only 4% of Russell 1000 companies publicly share detailed data on their employees' gender and ethnicity.⁹

While gender diversity data is generally measurable and comparable among companies across the globe, our engagements with portfolio companies have revealed that tracking racial and ethnic diversity is challenging for companies, boards, and investors. Racial and ethnic diversity may vary significantly across different countries and regions. From a disclosure standpoint, some countries limit the gathering of information related to racial and ethnic minorities. In addition, while SASB's approach to human capital management is evolving, its current diversity metrics only apply to nine industries.

While we acknowledge these complexities, we also believe it is critical for boards and investors to have more robust information and data regarding the racial and ethnic workforce diversity of companies in their portfolios and to understand the steps they are taking to achieve relevant goals. To this end, we ask that US companies in our portfolio and, to the greatest extent possible, non-US companies, provide specific communications to shareholders in five key areas:

1. **Strategy:** Articulate what role diversity plays in the firm's broader human capital management practices and long-term strategy.
2. **Goals:** Describe what diversity goals exist, how these goals contribute to the firm's overall strategy, and how these goals are managed and progressing.

3. **Metrics:** Provide measures of the diversity of the firm's global employee base and board. For example:
 - *Workforce-* Employee diversity by race, ethnicity and gender, broken down by industry-relevant employment categories or levels of seniority, for all full-time employees. In the US, companies can use the disclosure framework set forth by the United States Equal Employment Opportunity Commission's EEO-1 Survey. Non-US companies are encouraged to disclose this information in alignment with SASB's guidance and nationally appropriate frameworks.
 - *Board Level-* Diversity characteristics, including racial and ethnic makeup, of the board of directors.
4. **Board:** Articulate goals and strategy related to racial and ethnic representation at the board level, including how the board reflects the diversity of the company's workforce, community, customers and other key stakeholders.
5. **Board oversight:** Describe how the board executes its oversight role in diversity and inclusion.

Further, we ask companies to assess the barriers to entry and impediments to recruitment and retention of diverse talent, especially at senior levels of the organization. We encourage companies to take steps that ensure that diverse talent pools are sourced, supported and developed. At the board level, the talent pipeline is often narrowed by focusing on job experiences, such as being a former CEO, at the expense of the core competencies that strong directors possess. Companies that intentionally expand their search criteria often cite that there is already a broad pool of racial and ethnically diverse talent available.

These topics will be part of our engagement conversations. As always, our primary tool is engagement with management and the board with the objective of understanding a company's plan and how the board is carrying out its oversight role. However, if required, we are prepared to use our proxy voting authority to hold companies accountable for meeting our expectations.

We recognize that change—particularly in today's economy—can seem daunting. Our own company, State Street Corporation, has taken many steps to address inequality and racism in our organization, in our communities and through our asset stewardship program, which are outlined in our past [Corporate Responsibility Reports](#) and [Stakeholder Report](#). But we, too, have much more work to do, particularly when it comes to our board and senior leadership representation. Senior management has recently reviewed our company's practices and committed to taking 10 immediate actions to strengthen racial equality, which can be viewed [here](#). Our board will oversee our progress.

As our Chairman and CEO, Ron O'Hanley [wrote in June](#), "Simply because most of us are innocent bystanders does not mean that we can just stand by." Indeed, as we have learned over the past several years—from the launch of our Fearless Girl campaign to today—when we work together on matters of value for investors and companies alike, we can improve bottom lines, drive greater overall shared prosperity and also advance social progress, in alignment with State Street's mission.

We look forward to engaging on this important issue. For questions, please reach out to our Asset Stewardship Team at GovernanceTeam@ssga.com.

Sincerely,



Rick Lacaille
Global Chief Investment Officer
State Street Global Advisors

Figure 1: Building on SASB Disclosure

The Sustainability Accounting Standards Board (SASB), a nonprofit standards-setting organization focused on enhancing investor-relevant sustainability disclosure, articulates detailed accounting metrics and disclosure standards related to employee diversity for companies in nine industries: E-commerce, Multi-line and Specialty Retailers, Asset Management & Custody, Investment Banking & Brokerage, Advertising & Marketing, Professional & Commercial Services, Hardware, Internet Media & Services, Semiconductors, and Software & IT Services. While we generally support SASB's framework and industry-specific approach to ESG disclosure, we have stressed that SASB represents a floor, not a ceiling, for our expectations on ESG management and disclosure. We believe diversity to be a systemically important issue across our portfolio, and therefore seek similar information from portfolio companies beyond these nine industries. We encourage companies in other industries to use the disclosure guidelines set forth in the SASB Standards for those nine industries, which are themselves guided by the EEO-1 framework, to inform disclosure on this topic.

¹ Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.

² Janis, I. (1972). *Groupthink: Psychological studies of Policy Decisions and Fiascoes*. Boston: Houghton Mifflin

³ McKinsey, *Delivering through Diversity*

⁴ A. Garnero, S. Kampelmann, and F. Rycx, "[The Heterogeneous Effects of Workforce Diversity on Productivity, Wages, and Profits](#)," Centre Pour La Recherche Economique et Ses Applications Document de travail no 1304, September 2013, pp. 4-5.

⁵ "[Global Diversity and Inclusion: Fostering Innovation Through a Diverse Workforce](#)," Forbes Insights, last modified July 2011

⁶ "Kelly Services: Diversity must help bottom line to be sustainable," *Crain's Detroit Business*, last modified November 14, 2013

⁷ McKinsey, *Delivering through Diversity*

⁸ PWC, [Magnet for talent: Managing diversity as a reputational risk and business opportunity](#)

⁹ [Big Companies Track Workforce Diversity But Won't Share the Results](#), Bloomberg, July 27, 2020

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